

Ex-Im Bank Upheld on Arms Loans

Senate Rejects Bar on U.S. Use Of Sales Credits

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The Senate yesterday narrowly rejected a proposed ban on Pentagon use of Export-Import Bank credit to help finance arms purchases by underdeveloped countries. The vote was 40 to 48.

The amendment was offered by Sen. Allen J. Ellender (D-La.) as a rider on legislation extending the life of the Bank for five years, until 1973, and raising its lending authority from \$9 billion to \$13.5 billion.

Administration forces, backed up by an unusual coalition of moderates and hawks, opposed the arms credit ban on the ground that the President must have flexibility in determining whether such arms sales are in the Nation's "best interests."

Screening Charged

Proponents of the amendment claimed that the arms credit operation was screened by the Administration from both the public and Congress, but managers of the bill maintained that the facts have been publicized for years.

On the showdown, 22 Republicans joined with 26 Democrats in voting down the Ellender amendment. Twenty-seven Democrats and 13 Republicans voted "Aye."

The net effect of the vote was to uphold the action of the Senate Banking Committee in leaving unimpaired the authority of the Export-Import Bank to continue to make "Country X" loans.

Since late 1965, the Defense Department has made \$604 million in such loans to 14 underdeveloped countries. The Export-Import Bank has supplied the credit, backed up by a 25 per cent Pentagon guarantee in each case. The Bank has left it to the Pentagon to determine which countries get the loans.

Sees Limit Placed

Sen. Edmund S. Muskie (D-Maine) manager of the bill, told the Senate that a limit on future "Country X" arms credit, written into the bill by the Banking Committee, will scale back somewhat loans available for such arms purchases in the future.

Sen. Henry M. Jackson (D-Wash.) and other critics of the Ellender amendment suggested that Israel and selected other Middle East countries the United States might wish to aid would have been cut off from "Country X" arms credit by the amendment. Israel has received some \$88 million in such credit.

Ellender denied that his amendment was in any way aimed at Israel, however. He said that even if Israel were disqualified by a ban on credit M. Dirksen (R-Ill.) supported

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to underdeveloped nations, it could obtain direct loans from the Bank as a credit-worthy nation.

Immediately after the arms credit showdown, Sen. Everett by 15 cosponsors, called up an amendment barring loans by the Bank for the purchase of American products by Communist countries, or by any other country if the products were destined for Communist territory.

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Dirksen's immediate purpose was to block the Export-Import Bank's proposed loan of \$50 million to the Fiat company of Italy for the purchase of machine tools destined for a \$1 billion plant Fiat will build in the Soviet Union. The amendment ran into angry debate and a vote on the proposal went over until today.

Still another amendment was offered by Sen. Harry F. Byrd (D-Va.) to bar the use of Export-Import Bank funds to and any country providing goods or supplies to North Vietnam.

Byrd said a Senate amendment to the foreign aid bill last year barred discretionary grants of aid to nations sending ships into Haiphong and "I propose to eliminate such discretionary authority in the pending legislation." Byrd also was a cosigner of the proposed Dirksen amendment.

Explains Amendment

Dirksen said he offered his amendment to bar any extension of credits related to purchases by a Communist country because the American taxpayer's money "should not be used to sustain a potential enemy."

Sen. Karl Mundt (R-S.D.), taking the floor in all-out support of the Dirksen amendment suggested that if this effort fails, other similar amendments will be pressed.

Mundt said the proposed Fiat plant credit would provide "cars for commissars" and help meet the Soviet Union's "more pressing military needs."

Sen. John Sherman Cooper (R-Ky.) tangled sharply with Mundt on the merits of East-West trade.